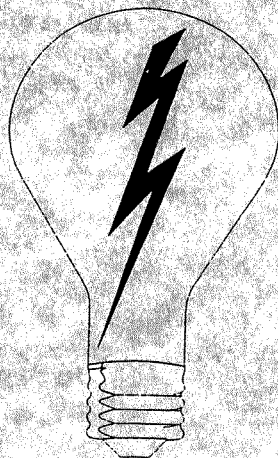


YEAR ENDING 2003

ANNUAL REPORT
OF
**Montana-Dakota Utilities
Company**

ELECTRIC UTILITY

RECEIVED BY
2004 APR 30 AM 9:23
PUBLIC SERVICE
COMMISSION



TO THE
PUBLIC SERVICE COMMISSION
STATE OF MONTANA
1701 PROSPECT AVENUE
P.O. BOX 202601
HELENA, MT 59620-2601

400 North Fourth Street
Bismarck, ND 58501
(701) 222-7900

April 29, 2004

Ms. Kate Whitney, Administrator
Utility Division
Montana Public Service Commission
1701 Prospect Avenue
Helena, MT 59620

Re: Annual Reports

RECEIVED BY
PUBLIC SERVICE
COMMISSION
2004 MAY 30 AM 9:22

Dear Ms. Whitney:

Montana-Dakota Utilities Co. (Montana-Dakota), a Division of MDU Resources Group, Inc., herewith submits two copies of its Electric and Gas Annual Reports for the year ended December 31, 2003. One CD copy of the reports is also enclosed.

Data relating to Schedules 14, 15 and 16 of the electric and gas reports, as well as the supplier information required for Schedule 33 of the gas report is proprietary and confidential. Montana-Dakota will provide a Motion for Protective Order relating to the information. Upon issuance of a protective order, Montana-Dakota will provide the information to the Commission and the Montana Consumer Counsel as proprietary schedules.

Please acknowledge receipt by stamping or initialing the duplicate copy of this letter attached hereto and returning the same in the enclosed self-addressed, stamped envelope.

Sincerely,



Donald R. Ball
Assistant Vice President -
Regulatory Affairs

Enclosures
c: Montana Consumer Counsel

Electric Annual Report

Instructions

General

1. A Microsoft EXCEL 2000 workbook of the annual report is being provided on computer disk for your convenience. The workbook contains the schedules of the annual report. Each schedule is on the worksheet named that schedule. For example, Schedule 1 is on the sheet titled "Schedule 1". By entering your company name in the cell named "Company" of the first worksheet, the spreadsheet will put your company name on all the worksheets in the workbook. The same is true for inputting the year of the report in the cell named "YEAR". You can "GOTO" the proper cell by using the F5 key and selecting the name of the cell.
2. The workbook contains input sections that are unprotected, and non-input sections that are protected. Cell protection can be disabled or enabled through "TOOLS – PROTECTION – UNPROTECT SHEET" on your toolbar. Formulas and checks are built into most of the templates.
3. Use of the disk is optional. The disk and the report cover shall be returned when the report is filed. There are macros built into the workbook to assist you with the report. An explanation of the macros is on the "Control" worksheet at the front of the workbook. The explanations start at cell A1.
4. All forms must be filled out in permanent ink and be legible. Note: Even if the computer disk is used, a printed version of the report shall be filed. **Please submit one unbound copy of the annual report along with the regular number of annual reports that you submit.** This aids in scanning the report so that it may be published on our web site. The orientation and margins are set up on each individual worksheet and should print on one page. If you elect not to use the disk, please format your reports to fit on one 8.5" by 11" page with the left binding edge (top if landscaped) set at .85", the right edge (bottom if landscaped) set at .4", and the remaining two margins at .5". You may select specific schedules to print – See the worksheet "CONTROL".
5. Indicate negative amounts (such as decreases) by enclosing the figures in parentheses ().
6. Where space is a consideration, information on financial schedules may be rounded to thousands of dollars. Companies submitting schedules rounded to thousands shall so indicate at the top of the schedule.
7. Where more space is needed or more than one schedule is needed additional schedules may be attached and shall be included directly behind the original schedule to which it pertains and be labeled accordingly (for example, Schedule 1A).
8. The information required with respect to any statement shall be furnished as a minimum requirement to which shall be added such further information as is necessary to make the required schedules not misleading.

9. All companies owned by another company shall attach a corporate structure chart of the holding company.
10. Schedules that have no activity during the year or are not applicable to the respondent shall be marked as not applicable and submitted with the report.
11. The following schedules shall be filled out with information on a total company basis:

Schedules 1 through 5
Schedules 6 and 7
Schedule 14
Schedule 17 and 18
Schedules 23 through 26
Schedules 33 and 34

All other schedules shall be filled out with either Montana specific data, or both total company and Montana specific data, as indicated in the schedule titles and headings.

Financial schedules shall include all amounts originating in Montana or allocated to Montana from other jurisdictions.

12. FERC Form-1 sheets may not be substituted in lieu of completing annual report schedules.
13. Common sense must be used when filling out all schedules.

Specific Instructions

Schedules 6 and 7

1. All transactions with affiliated companies shall be reported. The definition of affiliated companies as set out in 18 C.F.R. Part 101 shall be used.
2. Column (c). Respondents shall indicate in column (c) the method used to determine the price. Respondents shall indicate if a contract is in place between the Affiliate and the Utility. If a contract is in place, respondents shall indicate the year the contract was initiated, the term of the contract and the method used to determine the contract price.
3. Column (c). If the method used to determine the price is different than the previous year, respondents shall provide an explanation, including the reason for the change.

Schedules 8, 18, and 23

1. Include all notes to the financial statements required by the FERC or included in the financial statements issued as audited financial statements. These notes shall be included in the report directly behind the schedules and shall be labeled appropriately (Schedule 8A, etc.).

Schedule 12

1. Respondents shall disclose all payments made during the year for services where the aggregate payment to the recipient was \$5,000 or more. Utilities having jurisdictional revenue equal to or in excess of \$1,000,000 shall report aggregate payments of \$25,000 or more. Utilities having jurisdictional revenue equal to or in excess of \$10,000,000 shall report aggregate payments of \$75,000 or more. Payments must include fees, retainers, commissions, gifts, contributions, assessments, bonuses, subscriptions, allowances for expenses or any other form of payment for services or as a donation.

Schedule 14

1. Companies with more than one plan (for example, both a retirement plan and a deferred savings plan) shall complete a schedule for each plan.
2. Companies with defined benefit plans must complete the entire form using FASB 87 and 132 guidelines.
3. Interest rate percentages shall be listed to two decimal places.

Schedule 15

1. All changes in the employee benefit plans shall be explained in a narrative on lines 15 and 16. All cost containment measures implemented in the reporting year shall be explained and quantified in a narrative on lines 15 and 16. All assumptions used in quantifying cost containment results shall be disclosed.
2. Schedule 15 shall be filled out using FASB 106 and 132 guidelines.

Schedule 16

1. Include in the "other" column ALL additional forms of compensation, including, but not limited to: deferred compensation, deferred savings plan, profit sharing, supplemental or non-qualified retirement plan, employee stock ownership plan, restricted stock, stock options, stock appreciation rights, performance share awards, dividend equivalent shares, mortgage payments, use of company cars or car lease payments, tax preparation consulting, financial consulting, home security systems, company-paid physicals, subscriptions to periodicals, memberships, association or club dues, tuition reimbursement, employee discounts, and spouse travel.
2. The above compensation items shall be listed separately. Where more space is needed additional schedules may be attached directly behind the original schedule.

Schedule 17

1. Respondents shall provide all executive compensation information in conformance with that required by the Securities and Exchange Commission (SEC) (Regulation S-K Item 402, Executive Compensation).
2. Include in the "other" column ALL additional forms of compensation, including, but not limited to: deferred compensation, deferred savings plan, profit sharing, supplemental or non-qualified retirement plan, employee stock ownership plan, restricted stock, stock options, stock appreciation rights, performance share awards, dividend equivalent shares, mortgage payments, use of company cars or car lease payments, tax preparation consulting, financial consulting, home security systems, company-paid physicals, subscriptions to periodicals, memberships, association or club dues, tuition reimbursement, employee discounts, and spouse travel.
3. All items included in the "other" compensation column shall be listed separately. Where more space is needed additional schedules may be attached directly behind the original schedule.
4. In addition, respondents shall attach a copy of the executive compensation information provided to the SEC.

Schedule 24

1. Interest expense and debt issuance expense shall be included in the annual net cost column.

Schedule 26

1. Earnings per share and dividends per share shall be reported on a quarterly basis and entries shall be made only to the months that end the respective quarters (for example, March, June, September, and December.)
2. The retention and price/earnings ratios shall be calculated on a year end basis. Enter the actual year end market price in the "TOTAL Year End" row. If the computer disk is used, enter the year end market price in the "High" column.

Schedule 27

1. All entries to lines 9 or 16 must be detailed separately on an attached sheet.
2. Only companies who have specifically been authorized in a Commission Order to include cash working capital in ratebase may include cash working capital in lines 9 or 16. Cash working capital must be calculated using the methodology approved in the Commission Order. The Commission Order specifying cash working capital shall be noted on the attached sheet.
3. Indicate, for each adjustment on lines 28 through 46, if the amount is updated or is from the last rate case. All adjustments shall be calculated using Commission methodology.

Schedule 28

1. Information from this schedule is consolidated with information from other Utilities and reported to the National Association of Regulatory Utility Commissioners (NARUC). Your assistance in completing this schedule, even though information may be located in other areas of the annual report, expedites reporting to the NARUC and is appreciated.

Schedule 31

1. This schedule shall be completed for the year following the reporting year.
2. Respondents shall itemize projects of \$50,000 or more. Utilities having jurisdictional revenue equal to or in excess of \$1,000,000 shall itemize projects of \$100,000 or more. Utilities having jurisdictional revenue equal to or in excess of \$10,000,000 shall itemize projects of \$1,000,000 or more. All projects that are not itemized shall be reported in aggregate and labeled as Other.

Schedule 32

1. Provide a written narrative detailing the sources and amounts of electric supply at the time of the annual peak.

Schedule 34

1. The following categories shall be used in the Type column: Thermal, Hydro, Nuclear, Solar, Wind, GeoThermal, Qualifying Facility (QF), Independent Power Producer (IPP), Off System Purchases, or Other. Spot market purchases shall be separately identified. Entries for the Other category shall be listed as separate line items and include a description.

Note: For Off System Purchases, the Utility/Company whom the purchases are being made from shall be entered in the Plant Name column, the termination date of the purchased power contract shall be entered in the Location column.

2. Provide a written narrative of all outages exceeding one hour which occurred during the year. Explain the reason for the outage. If routine maintenance schedules are exceeded, explain the reason.

Schedule 35

1. In addition to a description, the year the program was initiated and the projected life of the program shall be included in the program description column.
2. On an attached sheet, define program "participant" and program conservation "unit" for each program. Also, provide the number of program participants and the number of units acquired or processed during this reporting year.

Electric Annual Report

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IDENTIFICATION

Year: 2003

1.	Legal Name of Respondent:	MDU Resources Group, Inc.
2.	Name Under Which Respondent Does Business:	Montana-Dakota Utilities Co.
3.	Date Utility Service First Offered in Montana	1920
4.	Address to send Correspondence Concerning Report:	Montana-Dakota Utilities Co. 400 North Fourth Street Bismarck, ND 58501
5.	Person Responsible for This Report:	Donald R. Ball
5a.	Telephone Number:	(701) 222-7630
Control Over Respondent		
1.	If direct control over the respondent was held by another entity at the end of year provide the following:	
	1a. Name and address of the controlling organization or person:	
	1b. Means by which control was held:	
	1c. Percent Ownership:	

SCHEDULE 2

Board of Directors 1/		
Line No.	Name of Director and Address (City, State) (a)	Remuneration (b)
1	Martin A. White, Bismarck, ND	-
2	Ronald D. Tipton, Bismarck, ND	-
3	Bruce T. Imsdahl, Bismarck, ND	-
4	Lester H. Loble II, Bismarck, ND 2/	-
5	Ronald G. Skarphol, Bismarck, ND	-
6	Warren L. Robinson, Bismarck, ND	-
7		
8		
9		
10		
11		
12	1/ Montana-Dakota Utilities Co. is a division of MDU Resources Group, Inc., and has no Board of Directors. The affairs of the Company are managed by a Managing Committee, the members of which are provided herein rather than the directors of MDU Resources Group, Inc.	
13		
14		
15		
16	2/ Lester H. Loble, II retired on 1/02/2004.	

Officers

Year: 2003

Line No.	Title of Officer (a)	Department Supervised (b)	Name (c)
1	Chief Executive Officer	Executive	Ronald D. Tipton
2			
3	President	Executive	Bruce T. Imsdahl
4			
5	Vice President	Gas Supply and Office Services	Donald F. Klempel 1/
6			
7	Vice President	Electric Supply	Andrea L. Stomberg 2/
8			
9	Executive Vice President	Business Development and Strategic Planning	Dennis L. Haider
10			
11			
12	Vice President	Operations	David L. Goodin
13			
14	Vice President, Controller and Chief Accounting Officer	Accounting, Information Systems, Fleet and Procurement	Craig A. Keller
15			
16			
17			
18	Vice President	Human Resources	Richard D. Spratt
19			
20	Assistant Vice President	Regulatory Affairs	Donald R. Ball
21			
22			
23	1/ Effective 8/11/2003, Donald F. Klempel assumed the title of Vice President.		
24			
25	2/ Effective 8/11/2003, Andrea, L. Stomberg assumed the title of Vice President.		
26			
27			
28			
29			
30			
31			
32			
33			
34			
35			
36			
37			
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39			
40			

CORPORATE STRUCTURE

Year: 2003

	Subsidiary/Company Name	Line of Business	Earnings (000's)	Percent of Total
1	Montana-Dakota Utilities Co./	Electric and Natural Gas	\$20,819	11.92%
2	Great Plains Natural Gas Co.	Distribution		
3	(Divisions of MDU Resources			
4	Group, Inc.)			
5				
6	WBI Holdings, Inc.	Pipeline and Energy Services and	81,185 *	46.50%
7		Natural Gas and Oil Production		
8				
9	Knife River Corporation	Construction Materials and	54,412 *	31.16%
10		Mining		
11				
12	Utility Services, Inc.	Utility Services	6,170	3.53%
13				
14	Centennial Energy Resources LLC	Independent Power Production	12,021	6.89%
15	/Centennial Holdings Capital Corp.	and Other		
16				
17				
18				
19				
20				
21				
22				
23				
24				
25				
26				
27				
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29				
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38				
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40				
41				
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43				
44				
45				
46				
47				
48				
49				
50	TOTAL		\$174,607	100.00%

* Includes the cumulative effect of the change in accounting for asset retirement obligations required by the adoption of SFAS No. 143.

Company Name: Montana-Dakota Utilities Co.

SCHEDULE 5

CORPORATE ALLOCATIONS - ELECTRIC

Year: 2003

	Items Allocated	Classification	Allocation Method	\$ to MT Utility	MT %	\$ to Other
1	Audit Costs	Administrative & General	Various Corporate Overhead Allocation Factors	\$2,424	3.07%	\$76,576
2						
3	Advertising	Administrative & General	Various Corporate Overhead Allocation Factors and/or Actual Costs Incurred	2,976	3.01%	95,742
4						
5						
6	Air Service	Administrative & General	Various Corporate Overhead Allocation Factors, Time Studies, and/or Actual Costs Incurred	4,456	2.59%	167,567
7						
8						
9	Automobile	Administrative & General	Various Corporate Overhead Allocation Factors, Time Studies, and/or Actual Costs Incurred	588	3.24%	17,560
10						
11						
12	Bank Services	Administrative & General	Various Corporate Overhead Allocation Factors and/or Actual Costs Incurred	12,964	3.07%	409,603
13						
14						
15	Corporate Aircraft	Administrative & General	Various Corporate Overhead Allocation Factors, Time Studies, and/or Actual Costs Incurred	4,944	2.97%	161,656
16						
17						
18						
19	Consultant Fees	Administrative & General	Various Corporate Overhead Allocation Factors and/or Actual Costs Incurred	37,764	3.55%	1,024,726
20						
21						
22	Contract Services	Administrative & General	Various Corporate Overhead Allocation Factors and/or Actual Costs Incurred	57,505	4.02%	1,372,562
23						
24						
25	Directors Expenses	Administrative & General	Corporate Overhead Allocation Factor Based on a Combination of Net Plant Investment and Number of Employees	47,856	3.06%	1,513,834
26						
27						
28						
29	Employee Benefits	Administrative & General	Corporate Overhead Allocation Factor Based on Number of Employees	4,654	3.14%	143,725
30						
31						
32	Employee Meetings	Administrative & General	Various Corporate Overhead Allocation Factors and/or Actual Costs Incurred	3,833	3.06%	121,443
33						

Company Name: Montana-Dakota Utilities Co.

SCHEDULE 5

CORPORATE ALLOCATIONS - ELECTRIC

Year: 2003

	Items Allocated	Classification	Allocation Method	\$ to MT Utility	MT %	\$ to Other
1	Employee Reimbursable Expenses	Administrative & General	Various Corporate Overhead Allocation Factors, Time Studies, and/or Actual Costs Incurred	7,379	2.85%	251,818
2						
3						
4	Express Mail	Administrative & General	Various Corporate Overhead Allocation Factors and/or Actual Costs Incurred	15	1.64%	901
5						
6						
7	Legal Retainers & Fees	Administrative & General	Various Corporate Overhead Allocation Factors and/or Actual Costs Incurred	42,347	3.05%	1,345,388
8						
9						
10	Moving Expense	Administrative & General	Various Corporate Overhead Allocation Factors and/or Actual Costs Incurred	8,025	3.30%	235,165
11						
12						
13	Meal Allowance	Administrative & General	Various Corporate Overhead Allocation Factors, Time Studies, and/or Actual Costs Incurred	117	3.13%	3,616
14						
15						
16	Meals & Entertainment	Administrative & General	Various Corporate Overhead Allocation Factors, Time Studies, and/or Actual Costs Incurred	4,854	2.97%	158,422
17						
18						
19	Industry Dues & Licenses	Administrative & General	Various Corporate Overhead Allocation Factors, Time Studies, and/or Actual Costs Incurred	4,361	3.86%	108,682
20						
21						
22	Office Expenses	Administrative & General	Various Corporate Overhead Allocation Factors and/or Actual Costs Incurred	5,269	3.14%	162,560
23						
24						
25	Prepaid Insurance	Administrative & General	Various Corporate Overhead Allocation Factors and Allocation Factors Based on Actual Experience	45,228	2.05%	2,164,150
26						
27						
28	Permits and Filing Fees	Administrative & General	Various Corporate Overhead Allocation Factors and/or Actual Costs Incurred	720	3.04%	22,946
29						

Company Name: Montana-Dakota Utilities Co.

CORPORATE ALLOCATIONS - ELECTRIC

Year: 2003

Items Allocated	Classification	Allocation Method	\$ to MT Utility	MT %	\$ to Other
1 Postage	Administrative & General	Various Corporate Overhead Allocation Factors and/or Actual Costs Incurred	1,054	3.06%	33,336
4 Payroll	Administrative & General	Various Corporate Overhead Allocation Factors, Time Studies, and/or Actual Costs Incurred	422,941	3.27%	12,530,421
7 Rental	Administrative & General	Various Corporate Overhead Allocation Factors and/or Actual Costs Incurred	642	5.21%	11,684
10 Reference Materials	Administrative & General	Various Corporate Overhead Allocation Factors and/or Actual Costs Incurred	3,490	3.14%	107,692
13 Seminars & Meeting Registrations	Administrative & General	Various Corporate Overhead Allocation Factors, Time Studies, and/or Actual Costs Incurred	1,999	3.08%	62,895
16 Software Maintenance	Administrative & General	Various Corporate Overhead Allocation Factors, Time Studies, and/or Actual Costs Incurred	3,597	3.07%	113,660
19 Training Material	Administrative & General	Various Corporate Overhead Allocation Factors, Time Studies, and/or Actual Costs Incurred	2,247	3.06%	71,065
23 TOTAL			\$734,249	3.16%	\$22,489,395

AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED TO UTILITY - ELECTRIC

Year: 2003

Line No.	(a) Affiliate Name	(b) Products & Services	(c) Method to Determine Price	(d) Charges to Utility	(e) % Total Affil. Revs.	(f) Charges to MT Utility
1	KNIFE RIVER CORPORATION	Expense	Actual Costs Incurred	\$3,012		\$727
2		Materials				
3						
4						
5		Capital				
6		Materials	Actual Costs Incurred	4,145		
7						
8						
9						
10		Other Transactions/Reimbursements				
11		Miscellaneous		9,809		
12		Rebate		1,071,927		
13						
14						
15						
16						
17		Total Knife River Corporation Operating Revenues for the Year 2003			\$1,104,408,472	
18	TOTAL	Grand Total Affiliate Transactions		\$1,088,893	0.0986%	\$727

AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED TO UTILITY - ELECTRIC

Year: 2003

Line No.	(a) Affiliate Name	(b) Products & Services	(c) Method to Determine Price	(d) Charges to Utility	(e) % Total Affil. Revs.	(f) Charges to MT Utility
1	WBI HOLDINGS, INC.	Expense	Actual Costs Incurred			
2		Contract Services		\$8,954		\$2,086
3		Reference Material		313		70
4		Office Supplies		1,589		356
5		Reimbursable Expense		683		153
6		Seminars & Meeting Reg.		1,532		329
7		Software Maintenance		323		72
8						
9						
10						
11		Capital	Actual Costs Incurred			
12		Contract Services		2,403		
13		Office Supplies		8		
14		Reimbursable Expense		177		
15		Material		4,074		
16						
17						
18						
19						
20						
21						
22						
23						
24						
25						
26		Total WBI Operating Revenues for the Year 2003			\$516,550,100	
27						
28						
29						
30	TOTAL	Grand Total Affiliate Transactions		\$20,056	0.0039%	\$3,066

AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED TO UTILITY - ELECTRIC

Year: 2003

Line No.	(a) Affiliate Name	(b) Products & Services	(c) Method to Determine Price	(d) Charges to Utility	(e) % Total Affil. Revs.	(f) Charges to MT Utility
1	UTILITY SERVICES, INC.	Expense	Actual Costs Incurred			
2		Materials		\$11,431		\$265
3						
4						
5						
6						
7						
8						
9		Capital	Actual Costs Incurred			
10		Contract Service		12,309		
11		Work Equipment		1,879		
12						
13		Other Transactions/Reimbursements		1,475		
14		Miscellaneous				
15						
16						
17						
18						
19						
20						
21						
22						
23						
24						
25						
26						
27						
28		Total USI Operating Revenues for the Year 2003			\$434,177,362	
29	TOTAL	Grand Total Affiliate Transactions		\$27,094	0.0062%	\$265

AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED TO UTILITY - ELECTRIC

Year: 2003

Line No.	(a) Affiliate Name	(b) Products & Services	(c) Method to Determine Price	(d) Charges to Utility	(e) % Total Affil. Revs.	(f) Charges to MT Utility
1	CENTENNIAL ENERGY	Expense	* Various Corporate Overhead			
2	RESOURCES/CHCC	Corporate Aircraft	Allocation Factors and/or	\$309,339		\$75,512
3		Rent	Actual Costs Incurred	132,396		29,649
4		Cost of Service		72,902		16,326
5						
6						
7						
8						
9		Capital	Actual Costs Incurred	38,105		
10		Corporate Aircraft				
11						
12		Other Transactions/Reimbursements		60,510		
13		Insurance Reimbursement				
14						
15						
16						
17						
18						
19						
20						
21						
22						
23		Total Centennial Energy Resources/CHCC Operating Revenues for the Year 2003			\$34,989,026	
24						
25						
26						
27						
28						
29	TOTAL	Grand Total Affiliate Transactions		\$613,252	1.7527%	\$121,487

AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED BY UTILITY

Year: 2003

Line No.	(a) Affiliate Name	(b) Products & Services	(c) Method to Determine Price	(d) Charges to Affiliate	(e) % Total Affil. Exp.	(f) Revenues to MT Utility
1	KNIFE RIVER CORPORATION	MDU RESOURCES GROUP, INC.	* Various Corporate Overhead Allocation Factors, Time Studies and/or Actual Costs Incurred			
2		Corporate Overhead				
3		Audit Costs		\$34,207		
4		Advertising		42,001		
5		Air Service		68,260		
6		Automobile		3,873		
7		Bank Services		182,972		
8		Corporate Aircraft		60,803		
9		Consultant Fees		370,322		
10		Contract Services		541,815		
11		Directors Expenses		674,522		
12		Employee Benefits		63,032		
13		Employee Meeting		54,244		
14		Employee Reimbursable Expense		98,766		
15		Express Mail		197		
16		Insurance		1,063,320		
17		Legal Retainers & Fees		597,663		
18		Moving Allowance		96,856		
19		Meal Allowance		1,441		
20		Cash Donations		51,615		
21		Meal & Entertainment		61,578		
22		Industry Dues & Licenses		40,404		
23		Office Expenses		70,942		
24		Supplemental Insurance		792,968		
25		Permits & Filing Fees		10,170		
26		Postage		14,869		
27		Payroll		4,935,406		
28		Reference Materials		47,026		
29		Rental		3,454		
30		Seminars & Meeting Registrations		25,466		
31		Software Maintenance		50,772		
32		Training		31,695		
33		Total MDU Resources Group, Inc.		\$10,090,659	0.9963%	

AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED BY UTILITY

Year: 2003

Line No.	(a) Affiliate Name	(b) Products & Services	(c) Method to Determine Price	(d) Charges to Affiliate	(e) % Total Affil. Exp.	(f) Revenues to MT Utility
1	KNIFE RIVER CORPORATION	MONTANA-DAKOTA UTILITIES CO.				
2		Communications Department	* Various Corporate Overhead Allocation	\$50		
3		Automobile	Factors, Cost of Service Factors, Time	59		
4		Air Service	Studies and /or Actual Costs Incurred	276		
5		Employee Reimbursable Expense		214		
6		Materials		499		
7		Office Expenses		131,857		
8		Office Telephone		58		
9		Organizational Dues		41,303		
10		Payroll		236		
11		Permits & Filing Fees		181		
12		Seminars & Meeting Registrations				
13						
14		Office Services	* General Office Complex and Office	22		
15		Automobile	Supplies Cost of Service Allocation	56		
16		Employee Meetings	Factors	12,559		
17		Express Mail		523		
18		Rental of Office Equipment		8,255		
19		Office Expenses		8,629		
20		Postage		274,766		\$65,204
21		Cost of Service - General Office Buildings				
22						
23						
24		Information Systems	* Various Corporate Overhead Allocation	34		
25		Automobile	Factors and /or Actual Costs Incurred	86		
26		Air Service		858		
27		Contract Services		88		
28		Employee Reimbursable Expense		76		
29		Meals & Entertainment		10,205		
30		Office Expenses				
31						
32						

AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED BY UTILITY

Year: 2003

Line No.	(a) Affiliate Name	(b) Products & Services	(c) Method to Determine Price	(d) Charges to Affiliate	(e) % Total Affil. Exp.	(f) Revenues to MT Utility
1	KNIFE RIVER CORPORATION	Professional Organ. Dues		40		
2		Payroll		26,421		
3		Seminars & Meeting Registrations		162		
4		Software Maintenance		451		
5						
6						
7		Other Miscellaneous Departments				
8		Automobile	* Various Corporate Overhead Allocation Factors and /or Actual Costs Incurred	41		
9		Office Supplies		766		
10		Employee Reimbursable Expense		11		
11		Payroll		1,303		
12						
13						
14		Other Direct Charges	Actual Costs Incurred			
15		Employee Discounts		45,046		5,740
16		Corporate/Commercial Air Service		42,013		
17		Computer/Software Support		226,628		
18		Electric Consumption		32,009		
19		Gas Consumption		72,948		62,959
20		Telephone		17,774		
21		Miscellaneous		42,296		
22						
23						
24		Total Montana-Dakota Utilities Co.		\$998,799	0.0986%	\$133,903

AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED BY UTILITY

Year: 2003

Line No.	(a) Affiliate Name	(b) Products & Services OTHER TRANSACTIONS/REIMBURSEMENTS	(c) Method to Determine Price	(d) Charges to Affiliate	(e) % Total Affil. Exp.	(f) Revenues to MT Utility
1	KNIFE RIVER CORPORATION					
2		Insurance		4,618,261		
3		Federal & State Tax Liability Payments		33,664,441		
4		KESOP carrying costs		459,495		
5		Tax Deferred Savings Plan		142,290		
6		Interest		(18,704)		
7		Miscellaneous Reimbursements		18,520		
8						
9						
10		Total Other Transactions/Reimbursements		\$38,884,303	3.8392%	
11						
12		Grand Total Affiliate Transactions		\$49,973,761	4.9341%	\$133,903
13						
14						
15						
16		Total Knife River Corporation Operating Expenses for 2003			\$1,012,829,380	

* Corporate overhead allocation factors are derived from net plant investment and number of employees. A cost of service allocation factor for the general office complex is derived by the ratio of MDU Resources and Montana-Dakota Utilities payroll allocated to affiliated companies to the total payroll costs for employees located in the general office complex. Cost of service allocation factors are also derived for office supplies, computer facilities and fixed and mobile radios based on usage of such supplies/facilities by affiliated companies.

AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED BY UTILITY

Year: 2003

Line No.	(a) Affiliate Name	(b) Products & Services	(c) Method to Determine Price	(d) Charges to Affiliate	(e) % Total Affil. Exp.	(f) Revenues to MT Utility
1	WBI HOLDINGS, INC.	MDU RESOURCES GROUP, INC.				
2		Corporate Overhead	* Various Corporate Overhead Allocation Factors, Time Studies and/or Actual Costs Incurred	\$19,513		
3		Audit Costs		25,677		
4		Advertising		44,697		
5		Air Service		6,433		
6		Automobile		104,374		
7		Bank Services		39,663		
8		Corporate Aircraft		269,738		
9		Consultant Fees		319,485		
10		Contract Services		376,100		
11		Directors Expenses		37,289		
12		Employee Benefits		30,943		
13		Employee Meeting		65,180		
14		Employee Reimbursable Expense		544		
15		Express Mail		601,952		
16		Insurance		348,128		
17		Legal Retainers & Fees		894		
18		Meal Allowance		32,610		
19		Cash Donations		40,799		
20		Meal & Entertainment		61,931		
21		Moving Expense		29,795		
22		Industry Dues & Licenses		41,919		
23		Office Expenses		452,340		
24		Supplemental Insurance		5,800		
25		Permits & Filing Fees		8,529		
26		Postage		3,271,667		
27		Payroll		27,342		
28		Reference Materials		3,385		
29		Rental		16,412		
30		Seminars & Meeting Registrations		28,963		
31		Software Maintenance		18,159		
32		Training Material				
33		Total MDU Resources Group, Inc.		\$6,330,261	2.6318%	

AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED BY UTILITY

Year: 2003

Line No.	(a) Affiliate Name	(b) Products & Services	(c) Method to Determine Price	(d) Charges to Affiliate	(e) % Total Affil. Exp.	(f) Revenues to MT Utility
1	WBI HOLDINGS, INC.	MONTANA-DAKOTA UTILITIES CO.				
2		Communications Department				
3		Expense				
4		Automobile		\$782		
5		Air Service		58		
6		Annual Easements		1,236		
7		Contract Services		2,556		
8		Employee Reimbursable Expense		384		
9		Materials		532		
10		Meals & Entertainment		223		
11		Office Expenses		161		
12		Office Telephone		52,246		
13		Payroll		20,653		
14		Permits & Filing Fees		299		
15		Photocopier		167		
16		Professional Organ Dues		14		
17		Seminars & Meeting Registrations		134		
18		Utilities		2,991		
19						
20		Office Services				
21		Expense				
22		Automobile		35		
23		Employee Meetings		95		
24		Express Mail		7,163		
25		Office Expenses		35,837		
26		Postage		4,957		
27		Cost of Service - General Office Buildings		351,265		
28						\$83,357

* Various Corporate Overhead Allocation Factors, Cost of Service Factors, Time Studies and /or Actual Costs Incurred

* General Office Complex and Office Supplies cost of Service Allocation Factors

AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED BY UTILITY

Year: 2003

Line No.	(a) Affiliate Name	(b) Products & Services	(c) Method to Determine Price	(d) Charges to Affiliate	(e) % Total Affil. Exp.	(f) Revenues to MT Utility
1	WBI HOLDINGS, INC.	Purchasing Department	* Various Corporate Overhead Allocation Factors, Cost of Service Factors, Time Studies and /or Actual Costs Incurred	36,374		
2		Capital				
3		Payroll				
4		Office Expenses				
5		Information Systems				
6		Expense				
7		Automobile	* Various Corporate Overhead Allocation Factors and /or Actual Costs Incurred	19		
8		Air Service		26		
9		Contract Services		2,364		
10		Employee Reimbursable Expense		5		
11		Meals & Entertainment		39		
12		Office Expenses		62,801		
13		Payroll		9,014		
14		Professional Organ. Dues		7		
15		Training Material		64		
16		Software Maintenance		3,518		
17		Region Operations	Actual Costs Incurred			
18		Expense				
19		Automobile		1,654		
20		Company Work Equipment		138		
21		Materials		10		
22		Office Telephone		677		
23		Payroll		4,132		
24		Utilities		142		
25						
26						

AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED BY UTILITY

Year: 2003

Line No.	(a) Affiliate Name	(b) Products & Services	(c) Method to Determine Price	(d) Charges to Affiliate	(e) % Total Affil. Exp.	(f) Revenues to MT Utility
1	WBI HOLDINGS, INC.	Transportation Department	* Various Corporate Overhead Allocation Factors, Time Studies and /or Actual Costs incurred	18,255		
2		Capital				
3		Payroll				
4		Clearing Accounts				
5		Automobile				
6		Air Service				
7		Contract Services				
8		Corporate Aircraft				
9		Custodial Services				
10		Employee Reimbursable Expense				
11		Materials				
12		Meals & Entertainment				
13		Office Expenses				
14		Office Telephone				
15		Professional Organ. Dues				
16		Payroll				
17		Reference Material				
18		Utilities				
19						
20		Other Miscellaneous Departments	* Various Corporate Overhead Allocation Factors, Time Studies and /or Actual Costs incurred	18		
21		Expense				
22		Air Service				
23		Automobile				
24		Employee Reimbursable Expense				
25		Materials				
26		Meals & Entertainment				
27		Office Expenses				
28		Office Telephone				
29		Payroll				
30		Annual Easements				
31		Seminars & Meeting Registrations				
32		Reference Material				
33						

AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED BY UTILITY

Year: 2003

Line No.	(a) Affiliate Name	(b) Products & Services	(c) Method to Determine Price	(d) Charges to Affiliate	(e) % Total Affil. Exp.	(f) Revenues to MT Utility
1	WBI HOLDINGS, INC.	Capital				
2		Automobile		17		
3		Air Service		615		
4		Corporate Aircraft		217		
5		Professional Organ. Dues		47		
6		Employee Reimbursable Expense		559		
7		Meals & Entertainment		162		
8		Office Expenses		397		
9		Payroll		1,491		
10		Reference Material		40		
11						
12		Other Direct Charges	Actual Costs Incurred			
13		Utility/Merchandise Discounts		143,223		81,652
14		Corporate Aircraft		106,241		
15		Radio Maintenance		8,161		
16		Vehicle Maintenance		23,805		
17		Cathodic Protection		13,144		4,513
18		Purchased Power for Compressor Stations		112,529		95,565
19		Electric Compressor - Electricity Cost		352,122		79,478
20		Office Building Utilities		149,127		73,088
21		Help Desk Services		2,430		
22		Miscellaneous		195,825		
23				38,218		
24						
25		Total Montana-Dakota Utilities Co. 1/		\$1,788,141	0.7434%	\$417,653
26						
27		1/ Total Montana-Dakota Charges By Category				
28		Expense		1,716,910	0.7138%	
29		Capital		58,174	0.0242%	
30		Clearing		13,057	0.0054%	
31		Total		\$1,788,141	0.7434%	
32						

AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED BY UTILITY

Year: 2003

Line No.	(a) Affiliate Name	(b) Products & Services	(c) Method to Determine Price	(d) Charges to Affiliate	(e) % Total Affil. Exp.	(f) Revenues to MT Utility
1	WBI HOLDINGS, INC.	OTHER TRANSACTIONS/REIMBURSEMENTS	Actual Costs Incurred			
2		Insurance		\$1,120,430		
3		Federal & State Tax Liability Payments		9,615,237		
4		Tax Deferred Savings Plan		26,377		
5		KESOP carrying costs		194,803		
6		Interest		(10,669)		
7		Charges of Corp Development		179,816		
8		Total Other Transactions/Reimbursements		\$11,125,994	4.6256%	
9						
10		Grand Total Affiliate Transactions		\$19,244,396	8.0008%	\$417,653
11						
12						
13						
14		Total WBI Holdings Operating Expenses for 2003			\$240,529,772	

* Corporate overhead allocation factors are derived from net plant investment and number of employees. A cost of service allocation factor for the general office complex is derived by the ratio of MDU Resources and Montana-Dakota Utilities payroll allocated to affiliated companies to the total payroll costs for employees located in the general office complex. Cost of service allocation factors are also derived for office supplies, computer facilities and fixed and mobile radios based on usage of such supplies/facilities by affiliated companies.

AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED BY UTILITY

Year: 2003

Line No.	(a) Affiliate Name	(b) Products & Services	(c) Method to Determine Price	(d) Charges to Affiliate	(e) % Total Affil. Exp.	(f) Revenues to MT Utility
1	UTILITY SERVICES, INC.	MDU RESOURCES GROUP, INC.	* Various Corporate Overhead Allocation Factors, Time Studies and/or Actual Costs Incurred			
2		Corporate Overhead				
3		Audit Costs		\$5,135		
4		Advertising		6,305		
5		Air Service		17,519		
6		Automobile		708		
7		Bank Services		27,467		
8		Corporate Aircraft		22,625		
9		Consultant Fees		44,759		
10		Contract Services		81,317		
11		Directors Expenses		98,973		
12		Employee Benefits		9,383		
13		Employee Meeting		8,143		
14		Employee Reimbursable Expense		27,100		
15		Express Mail		30		
16		Insurance		160,758		
17		Legal Retainers & Fees		89,719		
18		Moving Allowance		15,508		
19		Meal Allowance		232		
20		Cash Donations		7,691		
21		Meal & Entertainment		13,894		
22		Industry Dues & Licenses		6,308		
23		Office Expenses		10,737		
24		Supplemental Insurance		119,037		
25		Permits & Filing Fees		1,526		
26		Postage		2,232		
27		Payroll		905,995		
28		Reference Materials		7,680		
29		Rent		498		
30		Seminars & Meeting Registrations		5,105		
31		Software Maintenance		7,622		
32		Training Material		4,771		
33		Total MDU Resources Group, Inc.		\$1,708,777	0.4056%	

AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED BY UTILITY

Year: 2003

Line No.	(a) Affiliate Name	(b) Products & Services	(c) Method to Determine Price	(d) Charges to Affiliate	(e) % Total Affil. Exp.	(f) Revenues to MT Utility
1	UTILITY SERVICES, INC.	MONTANA-DAKOTA UTILITIES CO.				
2		Communications Department				
3		Air Service	* Various Corporate Overhead Allocation	\$4		
4		Automobile	Factors, Cost of Service Factors, Time	5		
5		Professional Organ. Dues	Studies and /or Actual Costs Incurred	4		
6		Office Expenses		42		
7		Office Telephone		10,487		
8		Payroll		4,343		
9		Employee Reimbursable Expense		18		
10		Materials		14		
11		Permits & Filing Fees		26		
12		Seminars & Meeting Registrations		12		
13						
14		Office Services	* General Office Complex and Office	3		
15		Automobile	Supplies Cost of Service Allocation	14		
16		Employee Meetings				
17		Express Mail		1,885		
18		Office Expenses		1,237		
19		Postage		922		
20		Cost of Service - General Office Buildings		795,612		\$188,803
21						
22		Information Systems				
23		Contract Services	* Various Corporate Overhead Allocation	38		
24		Employee Reimbursable Expense	Factors and /or Actual Costs Incurred	3		
25		Office Expenses		1,424		
26		Payroll		3,906		
27		Air Services		1		
28		Software Maintenance		57		
29		Meal & Entertainment		9		

AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED BY UTILITY

Year: 2003

Line No.	(a) Affiliate Name	(b) Products & Services	(c) Method to Determine Price	(d) Charges to Affiliate	(e) % Total Affil. Exp.	(f) Revenues to MT Utility
1	UTILITY SERVICES, INC.	USI President and COO	* Various Corporate Overhead Allocation Factors, Time Studies and/or Actual Costs Incurred	22,787		
2		Air Services		32		
3		Automobile		4,814		
4		Corporate Aircraft		10,898		
5		Meals and Entertainment		2,060		
6		Office Supplies		19,758		
7		Other Reimbursable Exp		384,627		
8		Payroll		700		
9		Professional Organ. Dues		110		
10		Reference Material				
11						
12		Other Miscellaneous Departments	* Various Corporate Overhead Allocation Factors, Time Studies and/or Actual Costs Incurred	981		
13		Air Services		1,605		
14		Corporate Aircraft		22		
15		Automobile		442		
16		Consultant Fees		58		
17		Office Supplies		24,633		
18		Payroll		57		
19		Office Expenses				
20						
21		Other Direct Charges	Actual Costs Incurred	40,767		
22		Legal Fees		3,120		
23		Contract Services		59,763		
24		Air Service		4,435		
25		Meals and Entertainment		20,548		
26		Employee Reimbursable Expense		10,775		
27		Telephone		123,574		
28		Consulting Service		23,552		
29		Computer/Software Support		46,971		
30		Northern Capital		41,677		
31		Filing fees		35,446		
32		Miscellaneous		167,474		
31		Software Implementation Project				
32		Gas Consumption		2,686		
33		Total Montana-Dakota Utilities Co.		\$1,874,438	0.4449%	2,686 \$191,489

AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED BY UTILITY

Year: 2003

Line No.	(a) Affiliate Name	(b) Products & Services	(c) Method to Determine Price Actual Costs Incurred	(d) Charges to Affiliate	(e) % Total Affil. Exp.	(f) Revenues to MT Utility
1	UTILITY SERVICES, INC.	OTHER TRANSACTIONS/REIMBURSEMENTS				
2		Federal & State Tax Liability Payments		\$3,254,052		
3		Audit fees		130,535		
4		Supplemental Insurance		157,807		
5		Insurance		2,636,484		
6		Miscellaneous		(34,103)		
7		KESOP/Deferred Comp carrying costs		8,220		
8						
9		Total Other Transactions/Reimbursements		\$6,152,995	1.4605%	
10						
11		Grand Total Affiliate Transactions		\$9,736,210	2.3110%	\$191,489
12						
13						
14						
15		Total Utility Services, Inc. Operating Expenses for 2003			\$ 421,292,058	

* Corporate overhead allocation factors are derived from net plant investment and number of employees. A cost of service allocation factor for the general office complex is derived by the ratio of MDU Resources and Montana-Dakota Utilities payroll allocated to affiliated companies to the total payroll costs for employees located in the general office complex. Cost of service allocation factors are also derived for office supplies, computer facilities and fixed and mobile radios based on usage of such supplies/facilities by affiliated companies.

AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED BY UTILITY

Year: 2003

Line No.	(a) Affiliate Name	(b) Products & Services	(c) Method to Determine Price	(d) Charges to Affiliate	(e) % Total Affil. Exp.	(f) Revenues to MT Utility
1	CENTENNIAL ENERGY	MDU RESOURCES GROUP, INC.	* Various Corporate Overhead Allocation Factors, Time Studies and/or Actual Costs Incurred			
2	RESOURCES/CHCC	Corporate Overhead				
3		Audit Costs		\$316		
4		Advertising		388		
5		Air Service		5,045		
6		Automobile		139		
7		Bank Services		1,690		
8		Corporate Aircraft		1,838		
9		Consultant Fees		3,530		
10		Contract Services		5,399		
11		Directors Expenses		21,553		
12		Employee Benefits		667		
13		Employee Meeting		502		
14		Employee Reimbursable Expense				
15		Insurance				
16		Legal Retainers & Fees		5,449		
17		Cash Donations		9,715		
18		Meal & Entertainment		5,522		
19		Meal Allowance		558		
20		Moving		2,020		
21		Industry Dues & Licenses		185		
22		Office Expenses		2,451		
23		Supplemental Insurance		1,724		
24		Permits & Filing Fees		1,075		
25		Postage		7,326		
26		Payroll		275		
27		Reference Materials		142		
28		Rental		322,570		
29		Seminars & Meeting Registrations		611		
30		Software Maintenance		81		
31		Training		1,397		
32		Total MDU Resources Group, Inc.		470		
				307		
				\$402,945	1.7409%	

AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED BY UTILITY

Year: 2003

Line No.	(a) Affiliate Name	(b) Products & Services	(c) Method to Determine Price	(d) Charges to Affiliate	(e) % Total Affil. Exp.	(f) Revenues to MT Utility
1	CENTENNIAL ENERGY	MONTANA-DAKOTA UTILITIES CO.	* Various Corporate Overhead Allocation Factors, Cost of Service Factors, Time Studies and /or Actual Costs Incurred	\$3		
2	RESOURCES/CHCC	Communications Department		2		
3		Employee Reimbursable Expense		5		
4		Materials	* General Office Complex and Office Supplies Cost of Service Allocation Factors	1,389		
5		Office Expenses		392		
6		Office Telephone		1		
7		Payroll	* Various Corporate Overhead Allocation Factors and /or Actual Costs Incurred			
8		Seminars & Meeting Registrations				
9						
10		Office Services	* Various Corporate Overhead Allocation Factors and /or Actual Costs Incurred	120		
11		Express Mail		44		
12		Office Expenses		50,425		
13		Cost of Service - General Office Buildings	* Various Corporate Overhead Allocation Factors and /or Actual Costs Incurred			
14						
15		Information Systems		4		
16		Payroll	* Various Corporate Overhead Allocation Factors and /or Actual Costs Incurred	33		
17		Office Expenses				
18						
19		Other Miscellaneous Departments	* Various Corporate Overhead Allocation Factors and /or Actual Costs Incurred	6		
20		Office Supplies		(49)		
21		Office Telephone		26		
22		Payroll	Actual costs incurred			
23						
24						
25		Other Direct Charges	Actual costs incurred	58,411		
26		Contract Services		223,210		
27		Corporate/Commercial Air Service		162,479		
28		Computer/Software Costs	Actual costs incurred	506,354		
29		Employee Reimbursable Exp and Fuel		546,370		
30		Consulting Fees		1,923		
31		Permits & Filing Fees	Actual costs incurred	16,184		
32		Moving Expense		34,966		
33		Legal Fees		1,799,542		
34		Payroll	Actual costs incurred	7,405		
35		Telephone		10,524		
36		Building Expenses		44,212		
37		Miscellaneous	Actual costs incurred		14.966%	\$11,967
38						
39		Total Montana-Dakota Utilities Co.		\$3,463,981		

AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED BY UTILITY

Year: 2003

Line No.	(a) Affiliate Name	(b) Products & Services	(c) Method to Determine Price	(d) Charges to Affiliate	(e) % Total Affil. Exp.	(f) Revenues to MT Utility
1	CENTENNIAL ENERGY					
2	RESOURCES/CHCC					
3		OTHER TRANSACTIONS/REIMBURSEMENTS				
4		Federal & State Tax Liability Payments		(\$9,766,777)		
5		Audit fees		148,496		
6		Interest		(172)		
7		Insurance		985,554		
8		Total Other Transactions/Reimbursements		(\$8,632,899)		
9		Grand Total Affiliate Transactions		(\$4,765,973)		
10		Total Centennial Energy Resources/CHCC Operating Expenses for 2003			-20.591%	\$11,967
11					\$23,145,644	
12						

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* Corporate overhead allocation factors are derived from net plant investment and number of employees. A cost of service allocation factor for the general office complex is derived by the ratio of MDU Resources and Montana-Dakota Utilities payroll allocated to affiliated companies to the total payroll costs for employees located in the general office complex. Cost of service allocation factors are also derived for office supplies, computer facilities and fixed and mobile radios based on usage of such supplies/facilities by affiliated companies.

MONTANA UTILITY INCOME STATEMENT

Year: 2003

	Account Number & Title	Last Year	This Year	% Change
1	400 Operating Revenues	\$37,044,660	\$42,122,826	13.71%
2				
3	Operating Expenses			
4	401 Operation Expenses	\$19,797,649	\$23,141,671	16.89%
5	402 Maintenance Expense	2,577,586	3,192,821	23.87%
6	403 Depreciation Expense	4,636,003	4,759,038	2.65%
7	404-405 Amortization of Electric Plant	263,944	272,373	3.19%
8	406 Amort. of Plant Acquisition Adjustments	100,180	99,956	-0.22%
9	407 Amort. of Property Losses, Unrecovered Plant			
10	& Regulatory Study Costs			
11	408.1 Taxes Other Than Income Taxes	2,351,039	2,593,059	10.29%
12	409.1 Income Taxes - Federal	2,529,086	1,980,193	-21.70%
13	- Other	501,856	427,094	-14.90%
14	410.1 Provision for Deferred Income Taxes	(391,993)	62,221	115.87%
15	411.1 (Less) Provision for Def. Inc. Taxes - Cr.	43,942	86,807	97.55%
16	411.4 Investment Tax Credit Adjustments			
17	411.6 (Less) Gains from Disposition of Utility Plant			
18	411.7 Losses from Disposition of Utility Plant			
19				
20	TOTAL Utility Operating Expenses	\$32,409,292	\$36,615,233	12.98%
21	NET UTILITY OPERATING INCOME	\$4,635,368	\$5,507,593	18.82%

MONTANA REVENUES

SCHEDULE 9

	Account Number & Title	Last Year	This Year	% Change
1	Sales of Electricity			
2	440 Residential	\$10,638,169	\$11,036,914	3.75%
3	442 Commercial & Industrial - Small	5,963,331	6,208,889	4.12%
4	Commercial & Industrial - Large	13,966,697	15,345,026	9.87%
5	444 Public Street & Highway Lighting	671,699	675,140	0.51%
6	445 Other Sales to Public Authorities	319,265	323,038	1.18%
7	446 Sales to Railroads & Railways			
8	448 Interdepartmental Sales			
9	Net Unbilled Revenue	55,612	214,033	284.87%
10	TOTAL Sales to Ultimate Consumers	\$31,614,773	\$33,803,040	6.92%
11	447 Sales for Resale	4,195,466	6,832,812	62.86%
12				
13	TOTAL Sales of Electricity	\$35,810,239	\$40,635,852	13.48%
14	449.1 (Less) Provision for Rate Refunds			
15				
16	TOTAL Revenue Net of Provision for Refunds	\$35,810,239	\$40,635,852	13.48%
17	Other Operating Revenues			
18	450 Forfeited Discounts & Late Payment Revenues			
19	451 Miscellaneous Service Revenues	\$39,031	\$29,043	-25.59%
20	453 Sales of Water & Water Power			
21	454 Rent From Electric Property	804,326	885,274	10.06%
22	455 Interdepartmental Rents			
23	456 Other Electric Revenues	391,064	572,657	46.44%
24				
25	TOTAL Other Operating Revenues	\$1,234,421	\$1,486,974	20.46%
26	Total Electric Operating Revenues	\$37,044,660	\$42,122,826	13.71%

MONTANA OPERATION & MAINTENANCE EXPENSES

Year: 2003

Account Number & Title		Last Year	This Year	% Change
1	Power Production Expenses			
2				
3	Steam Power Generation			
4	Operation			
5	500 Operation Supervision & Engineering	\$317,898	\$348,635	9.67%
6	501 Fuel	7,401,049	8,606,944	16.29%
7	502 Steam Expenses	672,255	759,506	12.98%
8	503 Steam from Other Sources			
9	504 (Less) Steam Transferred - Cr.			
10	505 Electric Expenses	228,549	259,003	13.32%
11	506 Miscellaneous Steam Power Expenses	462,145	452,798	-2.02%
12	507 Rents			
13				
14	TOTAL Operation - Steam	9,081,896	10,426,886	14.81%
15				
16	Maintenance			
17	510 Maintenance Supervision & Engineering	114,001	130,699	14.65%
18	511 Maintenance of Structures	104,157	171,667	64.82%
19	512 Maintenance of Boiler Plant	687,647	913,885	32.90%
20	513 Maintenance of Electric Plant	217,186	285,006	31.23%
21	514 Maintenance of Miscellaneous Steam Plant	174,816	184,826	5.73%
22				
23	TOTAL Maintenance - Steam	1,297,807	1,686,083	29.92%
24				
25	TOTAL Steam Power Production Expenses	\$10,379,703	\$12,112,969	16.70%
26				
27	Nuclear Power Generation			
28	Operation			
29	517 Operation Supervision & Engineering			
30	518 Nuclear Fuel Expense			
31	519 Coolants & Water			
32	520 Steam Expenses			
33	521 Steam from Other Sources			
34	522 (Less) Steam Transferred - Cr.			
35	523 Electric Expenses			
36	524 Miscellaneous Nuclear Power Expenses			
37	525 Rents			
38				
39	TOTAL Operation - Nuclear			
40				
41	Maintenance			
42	528 Maintenance Supervision & Engineering			
43	529 Maintenance of Structures			
44	530 Maintenance of Reactor Plant Equipment			
45	531 Maintenance of Electric Plant			
46	532 Maintenance of Miscellaneous Nuclear Plant			
47				
48	TOTAL Maintenance - Nuclear			
49				
50	TOTAL Nuclear Power Production Expenses			

MONTANA OPERATION & MAINTENANCE EXPENSES

Year: 2003

Account Number & Title		Last Year	This Year	% Change
1	Power Production Expenses -continued			
2	Hydraulic Power Generation			
3	Operation			
4	535 Operation Supervision & Engineering			
5	536 Water for Power			
6	537 Hydraulic Expenses			
7	538 Electric Expenses			
8	539 Miscellaneous Hydraulic Power Gen. Expenses			
9	540 Rents			
10				
11	TOTAL Operation - Hydraulic			
12				
13	Maintenance			
14	541 Maintenance Supervision & Engineering			
15	542 Maintenance of Structures			
16	543 Maint. of Reservoirs, Dams & Waterways			
17	544 Maintenance of Electric Plant			
18	545 Maintenance of Miscellaneous Hydro Plant			
19				
20	TOTAL Maintenance - Hydraulic			
21				
22	TOTAL Hydraulic Power Production Expenses			
23				
24	Other Power Generation			
25	Operation			
26	546 Operation Supervision & Engineering	\$12,102	\$6,176	-48.97%
27	547 Fuel	78,171	339,395	334.17%
28	548 Generation Expenses	612	494	-19.28%
29	549 Miscellaneous Other Power Gen. Expenses	33,156	26,899	-18.87%
30	550 Rents			
31				
32	TOTAL Operation - Other	124,041	372,964	200.68%
33				
34	Maintenance			
35	551 Maintenance Supervision & Engineering	5,211	2,520	-51.64%
36	552 Maintenance of Structures	1,879	1,343	-28.53%
37	553 Maintenance of Generating & Electric Plant	13,013	142,897	998.11%
38	554 Maintenance of Misc. Other Power Gen. Plant	1,249	460	-63.17%
39				
40	TOTAL Maintenance - Other	21,352	147,220	589.49%
41				
42	TOTAL Other Power Production Expenses	\$145,393	\$520,184	257.78%
43				
44	Other Power Supply Expenses			
45	555 Purchased Power	\$4,637,594	\$5,060,542	9.12%
46	556 System Control & Load Dispatching	222,250	279,404	25.72%
47	557 Other Expenses			
48				
49	TOTAL Other Power Supply Expenses	\$4,859,844	\$5,339,946	9.88%
50				
51	TOTAL Power Production Expenses	\$15,384,940	\$17,973,099	16.82%

MONTANA OPERATION & MAINTENANCE EXPENSES

Year: 2003

Account Number & Title			Last Year	This Year	% Change
1	Transmission Expenses				
2	Operation				
3	560	Operation Supervision & Engineering	\$369,748	\$365,589	-1.12%
4	561	Load Dispatching	59,251	70,433	18.87%
5	562	Station Expenses	114,170	111,860	-2.02%
6	563	Overhead Line Expenses	25,213	35,244	39.79%
7	564	Underground Line Expenses			
8	565	Transmission of Electricity by Others	94,113	96,221	2.24%
9	566	Miscellaneous Transmission Expenses	27,289	35,819	31.26%
10	567	Rents	210,247	205,478	-2.27%
11					
12	TOTAL Operation - Transmission		900,031	920,644	2.29%
13	Maintenance				
14	568	Maintenance Supervision & Engineering	24,639	30,200	22.57%
15	569	Maintenance of Structures			
16	570	Maintenance of Station Equipment	144,850	259,608	79.23%
17	571	Maintenance of Overhead Lines	178,936	128,372	-28.26%
18	572	Maintenance of Underground Lines			
19	573	Maintenance of Misc. Transmission Plant			
20					
21	TOTAL Maintenance - Transmission		348,425	418,180	20.02%
22					
23	TOTAL Transmission Expenses		\$1,248,456	\$1,338,824	7.24%
24	Distribution Expenses				
25	Operation				
26					
27	580	Operation Supervision & Engineering	\$194,136	\$207,737	7.01%
28	581	Load Dispatching			
29	582	Station Expenses	45,297	56,398	24.51%
30	583	Overhead Line Expenses	92,022	109,122	18.58%
31	584	Underground Line Expenses	118,788	121,798	2.53%
32	585	Street Lighting & Signal System Expenses	15,000	17,925	19.50%
33	586	Meter Expenses	145,585	153,217	5.24%
34	587	Customer Installations Expenses	74,470	89,277	19.88%
35	588	Miscellaneous Distribution Expenses	362,488	424,078	16.99%
36	589	Rents	21,650	18,130	-16.26%
37					
38	TOTAL Operation - Distribution		1,069,436	1,197,682	11.99%
39	Maintenance				
40	590	Maintenance Supervision & Engineering	100,214	112,948	12.71%
41	591	Maintenance of Structures			
42	592	Maintenance of Station Equipment	17,859	56,367	215.62%
43	593	Maintenance of Overhead Lines	398,363	388,777	-2.41%
44	594	Maintenance of Underground Lines	113,323	129,354	14.15%
45	595	Maintenance of Line Transformers	36,287	36,387	0.28%
46	596	Maintenance of Street Lighting, Signal Systems	32,733	30,986	-5.34%
47	597	Maintenance of Meters	2,736	3,148	15.06%
48	598	Maintenance of Miscellaneous Dist. Plant	47,525	61,502	29.41%
49					
50	TOTAL Maintenance - Distribution		749,040	819,469	9.40%
51					
52	TOTAL Distribution Expenses		\$1,818,476	\$2,017,151	10.93%

MONTANA OPERATION & MAINTENANCE EXPENSES

Year: 2003

Account Number & Title		Last Year	This Year	% Change
1	Customer Accounts Expenses			
2	Operation			
3	901 Supervision	\$42,904	\$47,391	10.46%
4	902 Meter Reading Expenses	181,730	187,093	2.95%
5	903 Customer Records & Collection Expenses	447,183	491,300	9.87%
6	904 Uncollectible Accounts Expenses	49,127	61,951	26.10%
7	905 Miscellaneous Customer Accounts Expenses	35,418	38,557	8.86%
8				
9	TOTAL Customer Accounts Expenses	\$756,362	\$826,292	9.25%
10	Customer Service & Information Expenses			
11	Operation			
12	907 Supervision	\$3,425	\$3,484	1.72%
13	908 Customer Assistance Expenses	13,732	17,423	26.88%
14	909 Informational & Instructional Adv. Expenses	3,859	4,735	22.70%
15	910 Miscellaneous Customer Service & Info. Exp.			
16				
17				
18	TOTAL Customer Service & Info Expenses	\$21,016	\$25,642	22.01%
19	Sales Expenses			
20	Operation			
21	911 Supervision	\$37,273	\$36,969	-0.82%
22	912 Demonstrating & Selling Expenses	27,517	28,575	3.84%
23	913 Advertising Expenses	5,281	8,475	60.48%
24	916 Miscellaneous Sales Expenses	7,644	8,223	7.57%
25				
26				
27	TOTAL Sales Expenses	\$77,715	\$82,242	5.83%
28	Administrative & General Expenses			
29	Operation			
30	920 Administrative & General Salaries	\$1,064,134	\$1,238,477	16.38%
31	921 Office Supplies & Expenses	610,769	688,213	12.68%
32	922 (Less) Administrative Expenses Transferred - Cr.			
33	923 Outside Services Employed	173,338	189,539	9.35%
34	924 Property Insurance	110,841	172,756	55.86%
35	925 Injuries & Damages	149,722	226,393	51.21%
36	926 Employee Pensions & Benefits	614,496	890,133	44.86%
37	927 Franchise Requirements			
38	928 Regulatory Commission Expenses	23,557	387,409	1544.56%
39	929 (Less) Duplicate Charges - Cr.			
40	930.1 General Advertising Expenses	5,991	7,544	25.92%
41	930.2 Miscellaneous General Expenses	99,571	95,557	-4.03%
42	931 Rents	54,889	53,352	-2.80%
43				
44				
45	TOTAL Operation - Admin. & General	2,907,308	3,949,373	35.84%
46	Maintenance			
47	935 Maintenance of General Plant	160,962	121,869	-24.29%
48				
49	TOTAL Administrative & General Expenses	\$3,068,270	\$4,071,242	32.69%
50				
51	TOTAL Operation & Maintenance Expenses	\$22,375,235	\$26,334,492	17.69%

MONTANA TAXES OTHER THAN INCOME

Year: 2003

	Description of Tax	Last Year	This Year	% Change
1	Payroll Taxes	\$331,344	\$365,666	10.36%
2	Secretary of State	318	225	-29.25%
3	Highway Use Tax	290	413	42.41%
4	Montana Consumer Counsel	25,219	32,679	29.58%
5	Montana PSC	72,506	79,779	10.03%
6	Montana Electric	43,097	48,514	12.57%
7	Coal Conversion	266,468	272,349	2.21%
8	Delaware Franchise	19,467	20,809	6.89%
9	Property Taxes	1,592,330	1,772,625	11.32%
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49				
50	TOTAL MT Taxes Other Than Income	\$2,351,039	\$2,593,059	10.29%

PAYMENTS FOR SERVICES TO PERSONS OTHER THAN EMPLOYEES - ELECTRIC

Year: 2003

	Name of Recipient	Nature of Service	Total Company	Montana	% Montana
1	ADP Proxy Service	Investor Communication Services	107,278	3,291	3.07%
2					
3	API Construction Company	Construction Services	100,524	24,255	24.13%
4					
5	Benco Equipment Company	Vehicle Maintenance	176,081	746	0.42%
6					
7	Bullinger Tree Service	Tree Trimming Service	149,264	425	0.28%
8					
9	Ceda Inc.	Boiler Maintenance	130,346	31,451	24.13%
10					
11	Chief Construction	Construction Services	425,789	263	0.06%
12					
13	Christensen & Associates	Consultant - Investor Relations	120,574	3,699	3.07%
14					
15	Deloitte & Touche, LLP	Auditing and Consulting Services	580,088	1,230	0.21%
16					
17	Diversified Graphic, Inc	Annual Report	209,977	6,442	3.07%
18					
19	Edling Electric, Inc	Construction Services-Electrical	213,931	1,427	0.67%
20					
21	Ernst & Young, LLP	Consulting Services	188,635	8,510	4.51%
22					
23	Fischer Contracting	Contract Services	157,640		0.00%
24					
25	GE Energy Services	Construction Services	354,903	85,634	24.13%
26					
27	GE Packaged Power, Inc.	Construction - Turbine	1,425,000	343,836	24.13%
28					
29	H. Zinder & Associates	Consulting Services	901,610	426,443	47.30%
30					
31	Hamilton Spray	Contract Services - Pole Spraying	152,855		0.00%
32					
33	Hughes, Kellner, Sullivan	Legal Services	95,069	32,217	33.89%
34					
35	IBM	Contract Services - Computer Maintenance	117,482	8,966	7.63%
36					
37	Industrial Contractors, Inc	Construction Services	1,006,201	242,784	24.13%
38					
39	Interstate Engineering	Engineering Services	116,052	28,023	24.15%
40					
41	Intremountain Tree Expert Co.	Tree Trimming Service	120,614		0.00%

PAYMENTS FOR SERVICES TO PERSONS OTHER THAN EMPLOYEES - ELECTRIC

Year: 2003

	Name of Recipient	Nature of Service	Total Company	Montana	% Montana
1	James W. Sewall Company	Consulting Services	438,307	55,553	12.67%
2					
3	Jim's Water Services	Contract Services	239,836		0.00%
4					
5	Kappel Tree Service	Tree Trimming Service	102,142	49,615	48.57%
6					
7	Larson Design Office, Inc.	Contract Services - Office Design	87,529	2,685	3.07%
8					
9	Leboeuf, Lamb, Greene & Macrae	Legal Services	273,805	8,400	3.07%
10					
11	McDermott, Will & Emery	Legal Services	87,890	5,137	5.85%
12					
13	MCM General Contractors, Inc	Construction Services	78,443		0.00%
14					
15	Miner & Miner	Consulting Services	99,016	12,692	12.82%
16					
17	Moody's Investors Services	Financial Services	119,800	83,832	69.98%
18					
19	New York Life	K-Plan Administrator	204,093	22	0.01%
20					
21	New York Stock Exchange	Financial Services	132,515	4,066	3.07%
22					
23	Northern Capital	Top Plan Administrator	828,771		0.00%
24					
25	Norwest Mine Services, Inc	Consulting Services	75,249	18,157	24.13%
26					
27	One Call Locators, LTD	Line Location Service	789,598	29,732	3.77%
28					
29	Osmose, Inc.	Contract Services - Pole Treatment	137,916	10,293	7.46%
30					
31	Outdoor Services Inc.	Contract Services - Meter Reading	218,935	18,688	8.54%
32					
33	Pipeline Services of Iowa Inc.	Contract Services - Gas Pipelines	493,587		0.00%
34					
35	Progressive Maintenance Co.	Custodial Services	82,143	10,798	13.15%
36					
37	Realfoundations Inc.	Contract Services - Computer System	157,336		0.00%
38					
39	Ritterbush Ellig Hulsing, PC	Consulting Services	129,739	73	0.06%
40					
41	Rocky Mountain Line	Construction Services	653,091		0.00%
42					
43	Rolta International, Inc	Contract Services	413,736	53,031	12.82%

Year: 2003

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POLITICAL ACTION COMMITTEES / POLITICAL CONTRIBUTIONS

Year: 2003

	Description	Total Company	Montana	% Montana
1	Contributions to Candidates by PAC	\$4,300	\$100	2.33%
2				
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43	TOTAL Contributions	\$4,300	\$100	2.33%

Pension Costs

Year: 2003

1	Plan Name MDU Resources Group, Inc. Master Pension Plan Trust			
2	Defined Benefit Plan? Yes	Defined Contribution Plan? No		
3	PROPRIETARY SCHEDULE			
4	PROPRIETARY SCHEDULE			
5				
	Item	Current Year	Last Year	% Change
6	Change in Benefit Obligation			
7	Benefit obligation at beginning of year			
8	Service cost			
9	Interest Cost			
10	Plan participants' contributions			
11	Amendments	PROPRIETARY SCHEDULE		
12	Actuarial (Gain) Loss			
13	Acquisition			
14	Benefits paid			
15	Benefit obligation at end of year			
16	Change in Plan Assets			
17	Fair value of plan assets at beginning of year			
18	Actual return on plan assets			
19	Acquisition	PROPRIETARY SCHEDULE		
20	Employer contribution			
21	Plan participants' contributions			
22	Benefits paid			
23	Fair value of plan assets at end of year			
24	Funded Status			
25	Unrecognized net actuarial loss			
26	Unrecognized prior service cost	PROPRIETARY SCHEDULE		
27	Unrecognized net transition obligation			
28	Accrued benefit cost			
29				
30	Weighted-average Assumptions as of Year End			
31	Discount rate	6.00	6.75	-11.11%
32	Expected return on plan assets	8.50	8.50	0.00%
33	Rate of compensation increase	4.75	4.50	5.56%
34				
35	Components of Net Periodic Benefit Costs			
36	Service cost			
37	Interest cost			
38	Expected return on plan assets	PROPRIETARY SCHEDULE		
39	Amortization of prior service cost			
40	Recognized net actuarial gain			
41	Transition amount amortization			
42	Net periodic benefit cost			
43				
44	Montana Intrastate Costs:			
45	Pension Costs	PROPRIETARY SCHEDULE		
46	Pension Costs Capitalized			
47	Accumulated Pension Asset (Liability) at Year End			
48	Number of Company Employees:			
49	Covered by the Plan			
50	Not Covered by the Plan	PROPRIETARY SCHEDULE		
51	Active			
52	Retired			
53	Deferred Vested Terminated			

Other Post Employment Benefits (OPEBS)

Item	Current Year	Last Year	% Change
1 Regulatory Treatment:			
2 Commission authorized - most recent			
3 Docket number:			
4 Order numbers:			
5 Amount recovered through rates -			
6 Weighted-average Assumptions as of Year End			
7 Discount rate	6.00	6.75	-11.11%
8 Expected return on plan assets	7.50	7.50	0.00%
9 Medical Cost Inflation Rate	PROPRIETARY SCHEDULE		
10 Actuarial Cost Method	PROPRIETARY SCHEDULE		
11 Rate of compensation increase	N/A	N/A	
12 List each method used to fund OPEBs (ie: VEBA, 401(h)) and if tax advantaged:			
13 VEBA			
14 Describe any Changes to the Benefit Plan:			
15			
16			
TOTAL COMPANY			
17 Change in Benefit Obligation			
18 Benefit obligation at beginning of year			
19 Service cost			
20 Interest Cost			
21 Plan participants' contributions			
22 Amendments	PROPRIETARY SCHEDULE		
23 Actuarial (Gain) Loss			
24 Acquisition			
25 Benefits paid			
26 Benefit obligation at end of year			
27 Change in Plan Assets			
28 Fair value of plan assets at beginning of year			
29 Actual return on plan assets			
30 Acquisition	PROPRIETARY SCHEDULE		
31 Employer contribution			
32 Plan participants' contributions			
33 Benefits paid			
34 Fair value of plan assets at end of year			
35 Funded Status			
36 Unrecognized net actuarial loss			
37 Unrecognized prior service cost	PROPRIETARY SCHEDULE		
38 Unrecognized transition obligation			
39 Accrued benefit cost			
40 Components of Net Periodic Benefit Costs			
41 Service cost			
42 Interest cost			
43 Expected return on plan assets	PROPRIETARY SCHEDULE		
44 Amortization of prior service cost			
45 Recognized net actuarial gain			
46 Transition amount amortization			
47 Net periodic benefit cost			
48 Accumulated Post Retirement Benefit Obligation			
49 Amount Funded through VEBA			
50 Amount Funded through 401(h)	PROPRIETARY SCHEDULE		
51 Amount Funded through Other _____			
52 TOTAL			
53 Amount that was tax deductible - VEBA			
54 Amount that was tax deductible - 401(h)			
55 Amount that was tax deductible - Other _____			
56 TOTAL			

Other Post Employment Benefits (OPEBS) Continued

	Item	Current Year	Last Year	% Change
1	Number of Company Employees:			
2	Covered by the Plan			
3	Not Covered by the Plan			
4	Active	PROPRIETARY SCHEDULE		
5	Retired			
6	Spouses/Dependants covered by the Plan			
7	Montana			
8	Change in Benefit Obligation			
9	Benefit obligation at beginning of year	NOT APPLICABLE		
10	Service cost			
11	Interest Cost			
12	Plan participants' contributions			
13	Amendments			
14	Actuarial Gain			
15	Acquisition			
16	Benefits paid			
17	Benefit obligation at end of year			
18	Change in Plan Assets			
19	Fair value of plan assets at beginning of year			
20	Actual return on plan assets			
21	Acquisition			
22	Employer contribution			
23	Plan participants' contributions			
24	Benefits paid			
25	Fair value of plan assets at end of year			
26	Funded Status			
27	Unrecognized net actuarial loss			
28	Unrecognized prior service cost			
29	Prepaid (accrued) benefit cost			
30	Components of Net Periodic Benefit Costs			
31	Service cost			
32	Interest cost			
33	Expected return on plan assets			
34	Amortization of prior service cost			
35	Recognized net actuarial loss			
36	Net periodic benefit cost			
37	Accumulated Post Retirement Benefit Obligation			
38	Amount Funded through VEBA			
39	Amount Funded through 401(h)			
40	Amount Funded through other _____			
41	TOTAL			
42	Amount that was tax deductible - VEBA			
43	Amount that was tax deductible - 401(h)			
44	Amount that was tax deductible - Other			
45	TOTAL			
46	Montana Intrastate Costs:			
47	Pension Costs			
48	Pension Costs Capitalized			
49	Accumulated Pension Asset (Liability) at Year End			
50	Number of Montana Employees:			
51	Covered by the Plan			
52	Not Covered by the Plan			
53	Active			
54	Retired			
55	Spouses/Dependants covered by the Plan			

TOP TEN MONTANA COMPENSATED EMPLOYEES (ASSIGNED OR ALLOCATED)

Line No.	Name/Title	Base Salary	Bonuses	Other	Total Compensation	Total Compensation Last Year	% Increase Total Compensation
1							
2							
3							
4							
5							
6							
7							
8							
9							
10							

PROPRIETARY SCHEDULE

COMPENSATION OF TOP 5 CORPORATE EMPLOYEES - SEC INFORMATION

Line No.	Name/Title	Base Salary	Bonuses	Other 1/	Total Compensation	Total Compensation Last Year 3/	% Increase Total Compensation
1	Martin A. White - Chairman of the Board, President & C.E.O.	\$596,308	\$1,200,000	\$778,732	\$2,575,040	\$1,031,878	150%
2	Ronald D. Tipton - C.E.O. of Montana-Dakota Utilities Co. and Great Plains Natural Gas Co.	319,751	211,464	98,708	629,923	424,273	48%
3	Warren L. Robinson - Executive Vice President, Treasurer & Chief Financial Officer	318,154	320,000	273,880	912,034	466,605	95%
4	Lester H. Loble, II - Vice President, General Counsel & Secretary 2/	268,662	270,000	240,395	779,057	397,503	96%
5	Vernon A. Raile - Senior Vice President, Controller & Chief Accounting Officer	198,615	180,000	95,251	473,866	264,011	79%

1/ See page 19a for details.

2/ Mr. Loble retired on January 2, 2004.

3/ See page 19a Note 10.

EXECUTIVE COMPENSATION

SUMMARY COMPENSATION TABLE

(a) Name and principal position	Annual compensation				Long-term compensation			(i) All other compensation(8) (\$)
	(b) Year	(c) Salary (\$)	(d) Bonus(2) (\$)	(e) Other annual compensation(3) (\$)	Awards		Payouts	
					(f) Restricted stock awards (\$)	(g) Securities underlying Options/ SARs(1) (#)	(h) LTIP payouts (\$)	
Martin A. White —Chairman of the Board, President & CEO	2003	596,308	1,200,000		—(4)	—	772,732(7)	6,000
	2002	517,038	509,340		—	—	—	5,500(10)
	2001	450,000	374,500		594,800(5)	270,000(6)	—	5,100
Ronald D. Tipton —CEO of Montana-Dakota Utilities Co. and Great Plains Natural Gas Co.	2003	319,751	211,464		—(4)	—	92,708(7)	6,000
	2002	306,815	111,958		—	—	—	5,500(10)
	2001	279,038	35,437		148,700(5)	108,000(6)	—	5,100
Warren L. Robinson —Executive Vice President and Chief Financial Officer	2003	318,154	320,000		—(4)	—	267,880(7)	6,000
	2002	278,265	182,840		—	—	—	5,500(10)
	2001	237,077	146,290		148,700(5)	93,600(6)	—	5,100
Lester H. Loble, II —Executive Vice President, General Counsel & Secretary(9)	2003	268,662	270,000	—	—(4)	—	234,395(7)	6,000
	2002	236,688	153,455	1,860	—	—	—	5,500(10)
	2001	190,846	105,219	13,291	118,960(5)	81,900(6)	—	5,100
Vernon A. Raile —Senior Vice President and Chief Accounting Officer	2003	198,615	180,000	—	—(4)	—	89,293(7)	5,958
	2002	169,037	88,808	1,095	—	—	—	5,071
	2001	146,394	58,122	10,194	44,610(5)	31,200(6)	—	3,250

(1) Adjusted for the three-for-two stock split on October 29, 2003.

(2) Granted pursuant to the Executive Incentive Compensation Plan.

(3) Above-market interest on deferred compensation.

(4) At December 31, 2003, the Named Officers held the following amounts of restricted stock: Mr. White—44,400 shares (\$1,057,164); Mr. Tipton—14,700 shares (\$350,007); Mr. Robinson—13,260 shares (\$315,721); Mr. Loble—10,320 shares (\$245,719) and Mr. Raile—5,850 shares (\$139,289).

(5) Valued at fair market value on the date of grant. Nonpreferential dividends are paid on the restricted stock.

(6) Options granted pursuant to the 1992 KESOP or the 1997 Executive Long-Term Incentive Plan for the 2001-2003 performance cycle.

(7) Dividend equivalents paid with respect to options granted pursuant to the 1992 KESOP or the 1997 Executive Long-Term Incentive Plan for the 2001-2003 performance cycle.

(8) Totals shown are the Company contributions to the Company 401(k) Retirement Plan.

(9) Mr. Loble retired on January 2, 2004.

(10) Adjusted by \$500 from amount reported last year.

**AGGREGATED OPTION/SAR EXERCISES IN LAST FISCAL YEAR
AND FISCAL YEAR-END OPTION/SAR VALUES**

(a) Name	(b) Shares acquired on exercise (#)(2)	(c) Value realized (\$)	(d) Number of securities underlying unexercised options at fiscal year-end(1)(2) (#)		(e) Value of unexercised, in-the- money options at fiscal year-end (\$)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Martin A. White	91,140	709,373	0	270,000	0	1,125,441
Ronald D. Tipton	73,687	606,939	0	108,000	0	450,176
Warren L. Robinson	56,925	443,066	0	93,600	0	390,153
Lester H. Loble, II	9,150	131,770	41,850	81,900	414,805	341,384
Vernon A. Raile	23,445	203,190	0	31,200	0	130,051

(1) Vesting is accelerated upon a change in control.

(2) Adjusted for the three-for-two stock split on October 29, 2003.

LONG-TERM INCENTIVE PLANS—AWARDS IN LAST FISCAL YEAR

(a) Name			Estimated future payouts under non-stock price-based plans		
	(b) Number of shares, units or other rights (#)(1)(2)	(c) Performance or other period until maturation or payout	(d) Threshold (\$ or #)	(e) Target (\$ or #)	(f) Maximum (\$ or #)
Martin A. White	11,389	2002-2004	1,139 shares \$1,333 Dividend Equivalents	11,389 shares \$13,325 Dividend Equivalents	22,778 shares \$26,650 Dividend Equivalents
	11,389	2003-2005	1,139 shares \$2,107 Dividend Equivalents	11,389 shares \$21,070 Dividend Equivalents	22,778 shares \$42,139 Dividend Equivalents
Ronald D. Tipton	3,876	2002-2004	388 shares \$454 Dividend Equivalents	3,876 shares \$4,535 Dividend Equivalents	7,752 shares \$9,070 Dividend Equivalents
	3,876	2003-2005	388 shares \$718 Dividend Equivalents	3,876 shares \$7,171 Dividend Equivalents	7,752 shares \$14,341 Dividend Equivalents
Warren L. Robinson	3,873	2002-2004	387 shares \$453 Dividend Equivalents	3,873 shares \$4,531 Dividend Equivalents	7,746 shares \$9,063 Dividend Equivalents
	3,873	2003-2005	387 shares \$716 Dividend Equivalents	3,873 shares \$7,165 Dividend Equivalents	7,746 shares \$14,330 Dividend Equivalents
Lester H. Loble, II	2,883	2002-2004	288 shares \$337 Dividend Equivalents	2,883 shares \$3,373 Dividend Equivalents	5,766 shares \$6,746 Dividend Equivalents
	2,883	2003-2005	288 shares \$533 Dividend Equivalents	2,883 shares \$5,334 Dividend Equivalents	5,766 shares \$10,667 Dividend Equivalents
Vernon A. Raile	1,423	2002-2004	142 shares \$166 Dividend Equivalents	1,423 shares \$1,665 Dividend Equivalents	2,846 shares \$3,330 Dividend Equivalents
	1,423	2003-2005	142 shares \$263 Dividend Equivalents	1,423 shares \$2,633 Dividend Equivalents	2,846 shares \$5,265 Dividend Equivalents

(1) Adjusted for the three-for-two stock split on October 29, 2003.

- (2) Performance shares were granted in 2003 under the 1997 Executive Long-Term Incentive Plan and represent the opportunity to receive Company Common Stock at the end of the performance period based upon the Company's total shareholder return relative to a peer group of companies. The performance shares shown in column (b) are at the target level. The payout ranges from 0% for a rank less than 40th percentile, to 10% at the 40th percentile, 100% at the 50th percentile and 200% at the 100th percentile. Dividend equivalents also were granted and will be paid out in cash in an amount equal to the total dividends declared during the performance period on any shares that are actually earned by the participant. Performance shares and dividend equivalents that are not earned are forfeited. Vesting is accelerated upon a change in control.

PENSION PLAN TABLE

Remuneration	Years of Service				
	15	20	25	30	35
\$125,000	\$ 79,211	\$ 87,735	\$ 96,259	\$104,783	\$113,307
150,000	95,329	105,665	116,002	126,338	136,674
175,000	111,446	123,595	135,744	147,893	160,042
200,000	129,484	143,445	157,407	171,368	185,329
225,000	140,464	154,425	168,387	182,348	196,309
250,000	151,384	165,345	179,307	193,268	207,229
300,000	187,624	201,585	215,547	229,508	243,469
350,000	235,204	249,165	263,127	277,088	291,049
400,000	276,184	290,145	304,107	318,068	332,029
450,000	316,084	330,045	344,007	357,968	371,929
500,000	387,484	401,445	415,407	429,368	443,329
550,000	387,484	401,445	415,407	429,368	443,329
600,000	479,884	493,845	507,807	521,768	535,729

The Table covers the amounts payable under the Salaried Pension Plan and non-qualified Supplemental Income Security Plan (SISP).

Pension benefits are determined by the step-rate formula that places emphasis on the highest consecutive 60 months of earnings within the final 10 years of service.

Benefits for single participants under the Salaried Pension Plan are paid as straight life amounts and benefits for married participants are paid as actuarially reduced pensions with a survivorship benefit for spouses, unless participants choose otherwise.

The Salaried Pension Plan also permits pre-retirement survivorship benefits upon satisfaction of certain conditions. Additionally, certain

reductions are made for employees electing early retirement.

The Internal Revenue Code places maximum limitations on benefit amounts that may be paid under the Salaried Pension Plan.

The Company has adopted a non-qualified SISP for senior management personnel. As of December 31, 2003, 99 senior management personnel were participating in the SISP, including the Named Officers.

Both plans cover salary shown in column (c) of the Summary Compensation Table and exclude bonuses and other forms of compensation.

Upon retirement and reaching age 65, participants in the SISP may elect a retirement benefit or a survivors' benefit with the benefits payable monthly for 15 years or as an equivalent life annuity.

As of December 31, 2003, the Named Officers were credited with the following years of service under the plans:

Name	Pension Service Years	SISP Service Years
Martin A. White	12	12
Ronald D. Tipton	20	20
Warren L. Robinson	15	15
Lester H. Loble, II	16	16
Vernon A. Raile	23	22

The maximum years of service for benefits under the Pension Plan is 35. Vesting under the SISP begins at 3 years and is complete after

10 years. Benefit amounts under both plans are not subject to reduction for offset amounts.

CHANGE-OF-CONTROL AND SEVERANCE ARRANGEMENTS

The Company entered into Change of Control Employment Agreements with the Named Officers and other executives ("executives") in November 1998, which provide certain protections to the executives in the event there is a change of control of the Company.

If a change of control occurs, the agreements provide for a three-year employment period from the date of the change of control, during which the executive is entitled to receive a base salary not less than the highest amount paid within the preceding twelve months, and annual bonuses not less than the highest bonus paid within the three years before the change of control, and to participate in the Company's incentive, savings, retirement and welfare benefit plans.

The agreements also provide that specified severance payments and benefits would be provided if the executive's employment is terminated during the employment period (or if connected to the change of control, prior thereto) by the Company, other than for cause or disability, or by the executive for good reason, which includes for any reason during the 30-day period beginning on the first anniversary of the change of control.

In such event, the executive would receive an amount equal to three times his annual base pay plus three times his highest annual bonus (as defined). In addition, he would receive (i) an immediate pro-rated cash-out of his bonus for the year of termination based on the highest annual bonus and (ii) an amount equal to the excess of (a) the actuarial equivalent of the benefit under Company qualified and nonqualified retirement plans that he would receive if he continued employment with the Company for an additional three years over (b) the actual benefit paid or payable under these plans.

The executive and family would continue to be covered by the Company's welfare benefit plans for three years. The executive also would receive outplacement benefits. Finally, the executive would receive an additional payment if necessary to make him or her whole for any federal excise tax on excess parachute payments imposed upon the executive, unless the total parachute payments were not more than 110% of the safe harbor amount for that tax (in which event the executive's payments would be reduced to the safe harbor amount).

For these purposes, “cause” generally means the executive’s willful and continued failure to substantially perform his duties or willfully engaging in illegal conduct or misconduct materially injurious to the Company. “Good reason” generally includes the diminution of the executive’s position, authority, duties or responsibilities, the reduction of the executive’s pay or benefits, and relocation or increased travel obligations.

Subject to certain exceptions described in the agreements, a “change of control” is defined in general as (i) the acquisition by an individual, entity, or group of 20% or more of the Company’s voting securities; (ii) a turnover in a majority of the Board of Directors without the approval of a majority of the members of the Board who were

members of the Board as of November 1998 or whose election was approved by such Board members; (iii) a merger or similar transaction; or (iv) the stockholders’ approval of the Company’s liquidation or dissolution.

The Company entered into an agreement with Lester H. Loble, II in connection with Mr. Loble’s retirement on January 2, 2004. Mr. Loble agreed to provide consulting services to the Company for six months after his retirement for which he was paid \$142,500. Mr. Loble also was entitled to keep certain office equipment. Other benefits to which Mr. Loble is entitled are determined in accordance with the terms and provisions of the Company’s plans and programs.

COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

Purpose

The Compensation Committee of the Board of Directors has direct responsibility for determining compensation of the Company’s executive officers and for producing an annual report on executive compensation for inclusion in the Company’s proxy statement. Composed entirely of non-employee Directors, the Committee meets quarterly to review and determine compensation for the executive officers, including the Chief Executive Officer.

Executive Compensation

Based upon a study of the Company’s executive compensation programs in 2002, the Committee made several changes to its approach to long-term incentive compensation, including the elimination of stock options and restricted stock grants effective in 2003.

The Committee believes that appropriate compensation levels succeed in both attracting and motivating high quality employees. To implement this philosophy, the Committee analyzes trends in compensation among comparable companies participating in the oil and gas industry, segments of the energy and mining industries, the

peer group of companies used in the graph following this report, and similar companies from general industry. The Committee then sets compensation levels that it believes are competitive within the industry and structured in a manner that rewards successful job performance. There are three components of total executive compensation: base salary, annual incentive compensation, and long-term incentive compensation.

In setting base salaries, the Committee does not use a particular formula. In addition to the above data, other factors the Committee uses in its analysis include the executive’s current salary in comparison to the competitive industry standard as well as individual performance. Mr. White, the Chairman, President and Chief Executive Officer, received a 15.4% increase in base salary for 2003. During 2003, only approximately 21.2% of Mr. White’s compensation was base pay. The remainder was performance-based. This reflects the Committee’s belief in the importance of having substantial at risk compensation to provide a direct and strong link between performance and executive pay. For the other Named Officers, the Committee targeted salaries at the midpoint of the competitive industry standard. The other Named Officers received base salary increases averaging 11.98% for 2003.

In keeping with the Committee's belief that compensation should be directly linked to successful performance, the Company employs both annual and long-term incentive compensation plans. The annual incentive compensation is determined under the Executive Incentive Compensation Plan. The Committee makes awards based upon the level of corporate earnings, cost efficiency, and individual performance. Mr. White received a total of \$1,200,000 (or 200% of the targeted amount) in annual incentive compensation for 2003; the other Named Officers received an average of \$245,366 or 180% of the targeted amount, based upon achievement of corporate earnings and individual performance above the target level.

Long-term incentive compensation serves to encourage successful strategic management and is awarded under the 1997 Executive Long-Term Incentive Plan.

Effective in 2003, several changes were made to the long-term incentive program as a result of the study discussed above. The Committee does not expect to make additional stock option or restricted stock grants under the 1997 Executive Long-Term Incentive Plan. Beginning with grants made in 2003, the Committee is using performance shares, with dividend equivalents, as the form of long-term incentive compensation. These awards are expected to be made annually. The performance periods will generally be three years, and performance goals will compare Company performance against a peer group in specified areas. Performance shares and dividend equivalents will be paid out, if earned, between 10% and 200% of the target award. Performance shares will be paid out in stock and dividend equivalents in cash. Awards for two performance periods were made to executive officers in 2003—2002-2004 and 2003-2005. The level of award for each executive officer was determined by using the Committee approved target incentive guidelines. This new long-term award is designed to ensure the retention value and the motivation effect of the Company's long-term compensation program on the Company's executive officers.

In recent years, the Committee has used stock options with dividend equivalents and performance-accelerated restricted stock as the components of long-term incentive compensation. Options were granted every three years with three-year performance cycles. The options

became exercisable automatically in nine years, but vesting was accelerated if the performance goals were met after three years. The size of the awards was based upon the executive's established pay grade, which took into consideration the job's internal value, based on overall complexity and responsibility, and external value as reflected in a market competitiveness comparison.

Options with a three-year performance cycle (2001-2003) and related dividend equivalents were granted in 2001. Performance goals established by the Committee and described in the 2002 Proxy Statement for the 2001-2003 performance cycle were exceeded; therefore, exercisability of the options was accelerated and dividend equivalents were earned at 151.7%, except for Mr. Tipton for whom the exercisability of 45.5% of his options was accelerated and dividend equivalents were earned at the same percent. No additional options were granted in 2003.

In addition, the Committee accelerated vesting of 67 percent of the restricted stock granted under the 1997 Executive Long-Term Incentive Plan, based on achievement of performance goals for the three-year period 2001-2003 at the 67th percentile.

At December 31, 2003, there were approximately 4.2 million options outstanding under the Company's various plans, which is approximately 3.7% of shares outstanding.

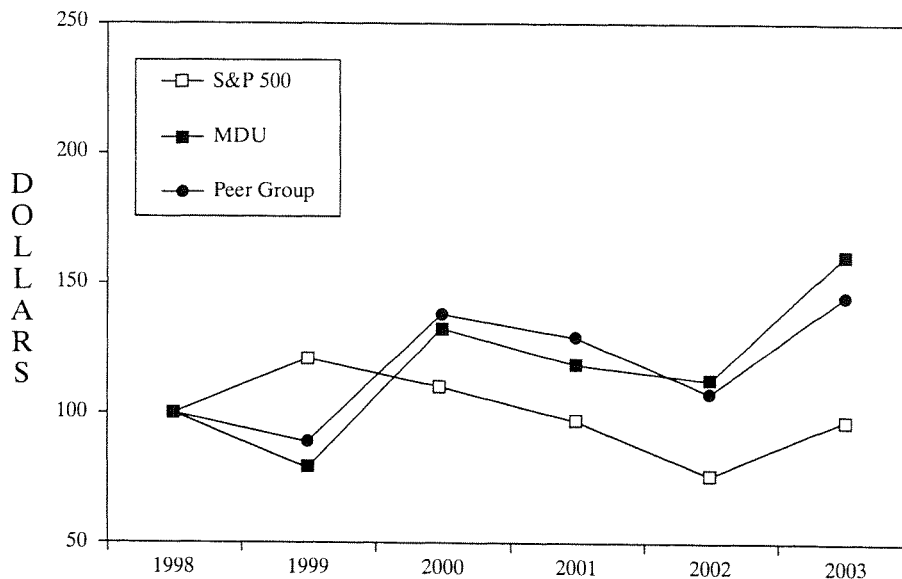
In 1994, the Board of Directors adopted Stock Ownership Guidelines under which executives are required to own Company Common Stock valued from one to four times their annual salary.

The Committee monitors the impact of federal tax laws on executive compensation, including Section 162(m) of the Internal Revenue Code. The deductibility of some types of compensation depends upon the timing of an executive's vesting or exercise of awards or on whether such awards qualify as "performance-based" under the provisions of Section 162(m). The Committee will consider the possible tax effect when structuring performance-based compensation but may pay compensation to its executive officers that is not fully deductible.

Harry J. Pearce, Chairman
Thomas Everist, Member
Patricia L. Moss, Member
Homer A. Scott, Jr., Member

MDU RESOURCES GROUP, INC. COMPARISON OF FIVE YEAR TOTAL STOCKHOLDER RETURN (1)

Total Stockholder Return Index (1998=100)



	1998	1999	2000	2001	2002	2003
S&P 500	100.00	121.04	110.02	96.95	75.52	97.18
MDU	100.00	78.89	132.61	118.47	112.59	160.59
Peer Group	100.00	89.02	138.23	128.97	107.28	145.32

- (1) All data is indexed to December 31, 1998, for the Company, the S&P 500, and the Peer Group. Total stockholder return is calculated using the December 31 price for each year. It is assumed that all dividends are reinvested in stock at the frequency paid, and the returns of each component peer issuer of the group is weighted according to the issuer's stock market capitalization at the beginning of the period.

Peer Group issuers are Allegheny Energy, Inc., Allete, Inc., Alliant Energy Corporation, Black Hills Corporation, Comstock Resources, Inc., Equitable Resources, Inc., Florida Rock Industries, Inc., Hanson PLC ADR, KeySpan Corporation, Kinder Morgan, Inc., Louis Dreyfus Natural Gas Corp. (returns included for the full years of trading for 1998 through 2000. Discontinued trading in 2001, the result of the acquisition by Dominion Resources, Inc.), Martin Marietta Materials, Inc., Newfield Exploration Company, NICOR, Inc., OGE Energy Corp., ONEOK, Inc., Peoples Energy Corporation, Pogo Producing Company, Quanta Services, Inc., Questar Corporation, SCANA Corporation, Stone Energy Corporation, TECO Energy, Inc., UGI Corporation, Vectren Corporation (formerly Indiana Energy, Inc.), Vulcan Materials Company, and XTO Energy, Inc. (formerly Cross Timbers Oil Company).